

# Q2 2014



# National City Sales Tax Update

Third Quarter Receipts for Second Quarter Sales (April - June 2014)

## National City In Brief

Receipts for National City's April through June sales were 5.0% higher than the same quarter one year ago.

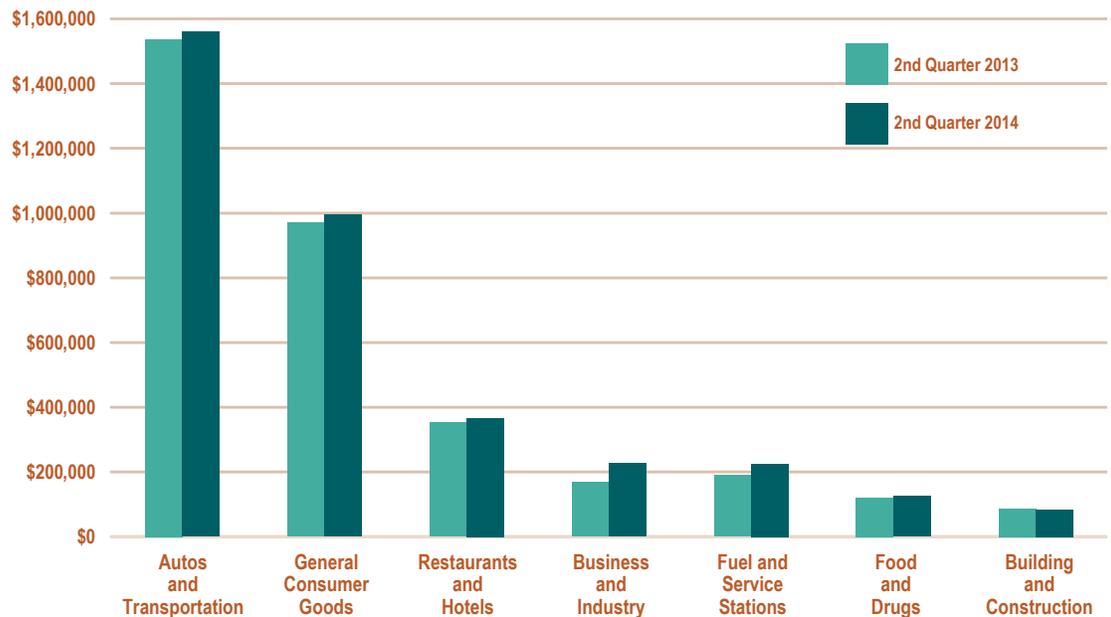
All major industry groups except building and construction were up with business and industry and fuel and service station categories showing particularly strong increases. A onetime payment adjustment inflated business and industry gains by temporarily cutting light industrial/printers receipts in the comparison period. A similar aberration boosted fuel and station results. Autos and transportation, food and drugs, general consumer goods and restaurant and hotel increases were more moderate. A payment adjustment that sharply inflated general consumer goods receipts a year earlier, caused the comparison in that segment to be understated.

Net of accounting adjustments, the building and construction group was up for the quarter.

Revenues from the city's voter-approved Measure D grew 7% compared to the prior year after excluding onetime adjustments.

Adjusted for aberrations, taxable sales for all of San Diego County grew 4.8% over the comparable time period, while the Southern California region was also up 4.8%.

## SALES TAX BY MAJOR BUSINESS GROUP



### TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Arco AM PM	Probuild Company
Ball Honda Acura	Ron Baker Chevrolet
Mitsubishi Suzuki	Ross
Kia	South Bay Volkswagen
Frank Hyundai	South County Buick GMC
Frank Subaru	Sweetwater Harley Davidson
Frank Toyota Scion	T Mobile
Highland Arco	Target
JC Penney	Tesoro Refining & Marketing
Macys	Univar
Mor Furniture 4 Less	Walmart
Mossy Nissan	Wescott Mazda
Nordstrom Rack	
Perry Chrysler	
Dodge Jeep Ram	
Perry Ford	

### REVENUE COMPARISON

One Quarter – Fiscal Year To Date

	2013-14	2014-15
Point-of-Sale	\$3,422,336	\$3,578,289
County Pool	411,739	446,330
State Pool	2,386	2,735
Gross Receipts	\$3,836,461	\$4,027,354
Less Triple Flip*	\$(959,115)	\$(1,006,839)
Measure D	\$2,311,403	\$2,506,082

\*Reimbursed from county compensation fund

**California as a Whole**

Excluding onetime payment aberrations the local one cent share of statewide sales and use tax was 5.2% higher than the second quarter of 2013.

Gains in the countywide use tax allocation pools were the largest contributor to the overall increase reflecting the growing influence of online purchases from out of state companies without nexus or a specific “point of sale” in California. The trend was also reflected by a growing shift of tax revenues from brick and mortar stores to in-state fulfillment centers that process on-line orders.

Auto sales and leases, contractor supplies and restaurants also posted major gains. These were partially offset by a decline in alternative energy projects that had previously added significant use tax revenues to the business and industry group.

The consensus among analysts is that the current pattern of increases will continue through the remainder of the fiscal year.

**Triple Flip - The End is in Sight**

California’s 2014/15 budget provides for retiring the \$15 billion fiscal recovery bonds authorized in 2004 to finance that year’s state budget deficit.

To guarantee the bonds, the state re-directed 1/4 of local government’s one cent sales tax and backfilled it with property tax revenues taken from the Educational Revenue Augmentation funds (ERAF) established for schools. The school ERAF funds were in turn replaced with state general revenues. This reshuffling became known as the “triple flip” and has caused cash flow and budget projection problems for local governments since.

The current plan is to discontinue the deductions at the end of calendar year 2015 and reimburse local governments with their final clean-up payments in January 2016.

Proposition 1A, approved by the voters in 2004, prohibits the state from further extending the debt or from making additional reductions or changes to local government revenues without voter approval.

**Allocation Formulas Corrected**

In addition to local sales tax and transactions tax overrides, counties and cities share in the half-cent public safety tax approved by the voters in 1993 to cushion the state’s use of property tax revenues to finance Proposition 198’s minimum educational funding requirements (ERAF). Counties also receive 1.5635 cents of state sales tax to reimburse for health, welfare and corrections functions shifted to them from the state in 1991 and 2011.

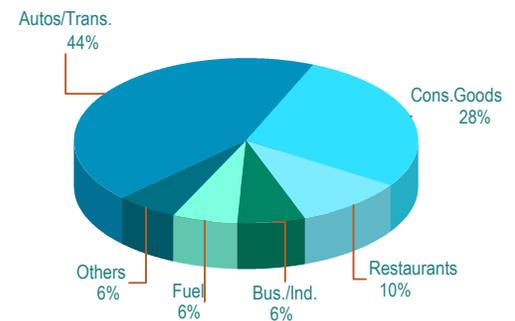
Inconsistencies in the public safety remittances brought to the state’s attention by HdL revealed that allocation formulas did not reflect recent legislative changes. As a result, counties will receive onetime backfill payments totalling \$116 million in 2014/2015.

**SALES PER CAPITA**



**REVENUE BY BUSINESS GROUP**

National City This Quarter



**NATIONAL CITY TOP 15 BUSINESS TYPES**

Business Type	*In thousands			
	National City Q2 '14*	Change	County Change	HdL State Change
Auto Lease	56.5	7.4%	34.3%	15.5%
Casual Dining	123.3	1.0%	4.8%	3.1%
Department Stores	144.6	0.8%	4.2%	1.2%
Discount Dept Stores	— CONFIDENTIAL —		2.4%	2.9%
Electronics/Appliance Stores	82.8	11.6%	0.2%	-0.9%
Family Apparel	167.6	4.3%	6.8%	9.7%
Heavy Industrial	60.0	6.4%	-4.4%	8.6%
Lumber/Building Materials	67.6	21.7%	12.4%	8.9%
New Motor Vehicle Dealers	1,250.0	2.9%	1.4%	7.4%
Quick-Service Restaurants	201.3	8.6%	7.7%	6.7%
Service Stations	224.2	18.3%	14.7%	6.7%
Shoe Stores	56.3	-38.2%	-27.9%	-21.1%
Specialty Stores	82.0	3.6%	4.3%	8.0%
Used Automotive Dealers	98.9	-3.1%	7.1%	9.6%
Women's Apparel	89.7	12.0%	1.5%	4.1%
<b>Total All Accounts</b>	<b>\$3,578.3</b>	<b>4.6%</b>	<b>5.9%</b>	<b>2.8%</b>
<b>County &amp; State Pool Allocation</b>	<b>\$449.1</b>	<b>8.4%</b>	<b>9.9%</b>	<b>12.7%</b>
<b>Gross Receipts</b>	<b>\$4,027.4</b>	<b>5.0%</b>	<b>6.4%</b>	<b>3.9%</b>